TITLE 86: REVENUE

PART 100
INCOME TAX

SUBPART A: TAX IMPOSED

Section 100.TABLE A Example of Unitary Business Apportionment

Example: Corporations A, B and C are engaged in the conduct of a unitary business. All three corporations are doing business both within and without Illinois. For purposes of this example, it will be assumed that all of the income of the corporations is business income, that there are no applicable addition or subtraction modifications (see IITA Section 203(b)(2)), and, that none of the corporations derives income from a partnership. It is further assumed that none of the three corporations is a financial organization, transportation company or insurance company. In addition, it is assumed that there were no intercompany transactions. Based on A's, B's and C's records, the computation of each company's share of the unitary business income to be apportioned to Illinois would be as follows:

	Corporation A	B	Corporation C	Corporation Combined
Business Income	$ 20,000	$ 30,000	$ 40,000	$ 90,000
Illinois Property	50,000	25,000	25,000	
Total Property	75,000	50,000	75,000	200,000
Property Factor (1)	.25	.125	.125	
Illinois Payroll	10,000	20,000	30,000	
Total Payroll	20,000	30,000	50,000	100,000
Payroll Factor (2)	.1	.2	.3	
Illinois Sales	50,000	75,000	80,000	
Total Sales	150,000	100,000	250,000	500,000
Sales Factor (3)	.1	.15	.16	
Average	.15	.158333	.195	
Business Income Apportioned to Illinois (4)	$ 13,500	$ 14,250	$ 17,550	

Note (1) This decimal is derived by dividing each member's Illinois property by the combined total property; i.e., for A, this is $50,000 divided by $200,000.

Note (2) This decimal is derived by dividing each member's Illinois payroll by the combined total payroll, i.e., for A, this is $10,000 divided by $100,000.

Note (3) This decimal is derived by dividing each member's Illinois sales by the combined total sales; i.e., for A, this is $50,000 divided by $500,000.

Note (4) This amount is determined by multiplying the combined business income ($90,000) by the average of the three factors for each member. For A, this is .15 times $90,000.00. Note that the provisions of P.L. 86-272 remain applicable. In instances where one member of the group may come within the protection of P.L. 86-272, i.e., where the activities of the corporation with regard to sales of tangible personal property do not give rise to sufficient tax nexus, those sales will not be included in the numerator of the sales factor for that member. Nonetheless, those sales, to the extent arising out of the group's unitary business activity will be shown in the denominator and will be part of the combined apportionment formula. In utilizing the combined method of apportionment, members of a unitary group filing Illinois income tax returns will be required to disclose, in colunmar form, all items of income, credit, deduction or exclusion which would enter into the computation of base income under the Illinois Income Tax Act as if each member of the group were required to file an Illinois income tax return. In some instances, it will also be necessary to disclose the computation of federal taxable income even where a particular member may not be required to file a federal income tax return. Appropriate schedules for this purpose will be provided. Essentially, the schedules will require, for each member of the group:

(A) the construction of federal taxable income or its equivalent;

(B) the computation of Illinois base income or its equivalent;

(C) disclosure and explanation of intercompany eliminations;

(D) classification of income as business or nonbusiness income;

(E) the appropriate apportionment factors;

(F) and, for those members required to file an Illinois income tax return the computation of Illinois base income which will include the member's apportioned share of unitary business income as well as any other income allocable or apportionable to Illinois.